

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name MILTON TOWNSHIP	County CASS
Fiscal Year End MARCH 31, 2007	Opinion Date AUGUST 24, 2007	Date Audit Report Submitted to State AUGUST 31, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe) STATE OF MICHIGAN F-65	<input checked="" type="checkbox"/>			
Certified Public Accountant (Firm Name) SCHAFFER & LAYHER, PLLC		Telephone Number 269-983-0131		
Street Address 805 VAN BRUNT AVENUE		City ST. JOSEPH	State MI	Zip 49085
Authorizing CPA Signature		Printed Name MICHAEL W. LAYHER		License Number 21500

MILTON TOWNSHIP
CASS COUNTY, MICHIGAN

FINANCIAL STATEMENT

March 31, 2007

**MILTON TOWNSHIP
TOWNSHIP BOARD MEMBERS
MARCH 31, 2007**

ELECTED OFFICIALS

Richard Gerbeth	Supervisor
Jacqueline Boggs	Clerk
Linda De Broka	Treasurer
Sharon Ward	Trustee
Robert Harvey	Trustee

APPOINTED OFFICIALS

Ken Thompson	Planning Commission Chairman
Douglas Brousseau	Assessor
Dan Kulwicki	Building Inspector
Johnny Hamilton	Electrical Inspector
David Swanstrom	Mechanical Inspector
Ed Wainwright	Plumbing Inspector

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INDEPENDENT AUDITOR'S REPORT

To the Board of
Milton Township

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milton Township (the "Township"), as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Milton Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milton Township as of March 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and page 23 are not a required part of the basic financial statements, but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Schaffer & Layher". The script is cursive and fluid.

Schaffer & Layher
August 24, 2007

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Using this Annual Report

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

- The assets of Milton Township exceeded its liabilities at the close of the most recent fiscal year by \$1,121,025 (*net assets*). Of this amount \$1,027,578 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's governmental activities reported combined ending net assets of \$1,121,025, a current year increase of \$58,741. Approximately 92% of the total amount is available for spending at the Township's discretion (*unreserved fund balance*).
- At the end of the current fiscal year unreserved fund balance for the general fund was \$1,027,578, or 279 percent of total general fund expenditures.
- The Township has no debt for the current fiscal year.

Overview of the Financial Statements

This report consists of three parts----*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following table summarizes the major features of the Township's financial statements, including the portion of Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of Milton Township's Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets >Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of fiduciary net assets >Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

The government-wide financial statements of the Township include:

- Governmental activities—Most of the Township's basic services are included here, such as general government, public safety, public works, and community & economic development.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

Fund Financial Statements, Concluded

- Some funds are required by State law and by bond covenants.
- The Township Board can establish other funds to control and manage money for a particular purpose or to show that it is properly using certain taxes and grants.

The Township has the following two kinds of funds:

- *Governmental Funds*—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary Funds*—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

The Township's combined net assets were \$1,121,025. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities	
	2007	2006
Current Assets	\$ 1,027,672	\$ 967,321
Capital Assets	93,447	95,059
Total Assets	\$ 1,121,119	\$ 1,062,380
Deferred Revenue	\$ 94	\$ 96
Other liabilities	-	-
Total Liabilities	\$ 94	\$ 96
Net Assets		
Invested in capital assets, net of related debt	\$ 93,447	\$ 95,059
Unrestricted	1,027,578	967,225
Total Net Assets	\$ 1,121,025	\$ 1,062,284

The part of net assets that can be used to finance day to day operations has increased by \$58,741 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$1,027,578, or about 279% of fiscal 2007 expenditures. This is well above the targeted range set by many Township Boards of three to six months of operations.

Financial Analysis of the Township as a Whole, Concluded

The following table shows the changes of the net assets as of the current date.

	Governmental Activities	
	<u>2007</u>	<u>2006</u>
Program Revenues		
Charges for services	\$ 82,199	\$ 99,049
Operating Grants and Contributions	3,983	17,566
General Revenues		
Taxes	83,931	78,196
State	183,426	178,707
Interest	45,572	25,841
Other Revenues	30,033	12,719
Total Revenues	<u>\$ 429,144</u>	<u>\$ 412,078</u>
Program Expenses		
General Government	\$ 164,763	\$ 126,832
Public Safety	153,466	120,984
Public Works	17,641	54,954
Community & Economic Development	14,829	11,516
Other	18,092	19,009
Depreciation	1,612	1,612
Total Expenses	<u>\$ 370,403</u>	<u>\$ 334,907</u>
Change in Net Assets	<u>\$ 58,741</u>	<u>\$ 77,171</u>

For the most part, expenses are closely paralleling inflation and growth in demand for services. One noteworthy exception, however, is increasing contracted costs for public safety services.

Governmental Activities

The Township's total governmental revenues increased by approximately \$11,700 and expenses increased by \$35,500 during the year. This expense increase was primarily the result of increased legal expenses.

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major fund for 2007 included the General Fund.

The General Fund pays for most of the Township's governmental services, including legislative, public safety, and other. The most significant is fire, which incurred expenses of approximately \$91,435 in 2007. The service is supported by general revenue sources of the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board did not amend the budget to take into account events during the year.

Capital Asset and Debt Administration

As of March 31, 2007, the Township had investment in capital assets for its governmental activities of \$93,447 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Cass County Road Commission, along with the responsibility to maintain them. The Township has chosen to not retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

Economic Factors and Next Year's Budgets and Rates

The Township's anticipates revenue over expenditures in the governmental activities next year.

Comparative Information

The financial report shows full comparative statements.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

**GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007**

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 528,627
Investments	480,641
Taxes Receivable	7,228
Receivables, Net	1,879
Due From Fiduciary Funds	9,297
Due From Other Governmental Units	-
Capital Assets, Net	93,447
Total Assets	<u>\$ 1,121,119</u>
Liabilities	
Accounts Payable	\$ -
Deferred Revenue	94
Total Liabilities	<u>\$ 94</u>
Net Assets	
Invested in Capital Assets Net of Related Debt	\$ 93,447
Unrestricted	1,027,578
Total Net Assets	<u><u>\$ 1,121,025</u></u>

The notes to the financial statements are an integral part of these statements.

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
March 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Primary Government				
<i>Governmental Activities</i>				
General Government	\$ 164,763	\$ -	\$ 3,983	\$ (160,780)
Public Safety	153,466	82,199	-	(71,267)
Public Works	17,641	-	-	(17,641)
Community & Economic Development	14,829	-	-	(14,829)
Other	18,092	-	-	(18,092)
Depreciation	1,612	-	-	(1,612)
Total Governmental Activities	<u>\$ 370,403</u>	<u>\$ 82,199</u>	<u>\$ 3,983</u>	<u>\$ (284,221)</u>
General Revenues				
Taxes				\$ 83,931
State				183,426
Interest				45,572
Other Revenues				30,033
Total General Revenues				<u>\$ 342,962</u>
Change in Net Assets				\$ 58,741
Net Assets-Beginning				<u>1,062,284</u>
Net Assets-Ending				<u><u>\$ 1,121,025</u></u>

The notes to the financial statements are an integral part of these statements.

MILTON TOWNSHIP**GOVERNMENTAL FUND BALANCE SHEET
March 31, 2007**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 528,627	\$ -	\$ 528,627
Investments	480,641	-	480,641
Taxes Receivable	7,228	-	7,228
Receivables, net	1,879	-	1,879
Due From Other Governmental Units	-	-	-
Due from Fiduciary Funds	9,297	-	9,297
Total Assets	<u>\$ 1,027,672</u>	<u>\$ -</u>	<u>\$ 1,027,672</u>
Liabilities and Fund Equity			
Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Deferred Revenue	94	-	94
Total Liabilities	<u>\$ 94</u>	<u>\$ -</u>	<u>\$ 94</u>
Fund Balance			
Unreserved:			
Undesignated	<u>\$ 1,027,578</u>	<u>\$ -</u>	<u>\$ 1,027,578</u>
Total Fund Equity	<u>\$ 1,027,578</u>	<u>\$ -</u>	<u>\$ 1,027,578</u>
Total Liabilities and Fund Equity	<u>\$ 1,027,672</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
* Capital assets used in governmental activities are not financial resources and are not reported in the funds			93,447
Net Assets of Governmental Activities			<u>\$ 1,121,025</u>

The notes to the financial statements are an integral part of these statements.

MILTON TOWNSHIP

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
March 31, 2007**

	General <u>Fund</u>	Non-Major Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Taxes	\$ 83,931	\$ -	\$ 83,931
Licenses and Permits	65,931	-	65,931
State	183,426	-	183,426
Contributions From Local Units	3,983	-	3,983
Charges for Services	16,268	-	16,268
Interest and Rents	45,572	-	45,572
Other Revenue	30,033	-	30,033
	<u>\$ 429,144</u>	<u>\$ -</u>	<u>\$ 429,144</u>
Expenditures			
Current			
General Government	\$ 164,763	\$ -	\$ 164,763
Public Safety	153,466	-	153,466
Public Works	17,641	-	17,641
Community & Economic Development	14,829	-	14,829
Other	18,092	-	18,092
Total Expenditures	<u>\$ 368,791</u>	<u>\$ -</u>	<u>\$ 368,791</u>
Excess of Revenues Over Expenditures	<u>\$ 60,353</u>	<u>\$ -</u>	<u>\$ 60,353</u>
Other Financing Sources(Uses)			
Operating Transfers In	\$ -	\$ -	\$ -
Operating Transfers Out	-	-	-
Total Other Financing Sources(Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenue and Other Sources Over Expenditures and Other Sources(Uses)	<u>\$ 60,353</u>	<u>\$ -</u>	<u>\$ 60,353</u>
Fund Balance-April 1, 2006	<u>967,225</u>	<u>-</u>	
Fund Balance-March 31, 2007	<u><u>\$ 1,027,578</u></u>	<u><u>\$ -</u></u>	

Amounts reported for governmental activities in the statement of activities are different because:

- * Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

	(1,612)
Change in Net Assets of Governmental Activities	<u><u>\$ 58,741</u></u>

The notes to the financial statements are an integral part of these statements.

**FIDUCIARY FUNDS – STATEMENT OF NET ASSETS
March 31, 2007**

	Trust & Agency <u>Fund</u>
Assets	
Cash and Cash Equivalents	\$ 30,926
Due From Other Governmental Units	1,282
Total Assets	<u>\$ 32,208</u>
Liabilities	
Due to Other Governmental Funds:	
General Fund	\$ 9,297
Due to Other Governmental Units	22,911
Total Liabilities	<u>\$ 32,208</u>

The notes to the financial statements are an integral part of these statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Milton Township (the “Township”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

A. Reporting Entity

The Township is governed by an elected five-member council (“Board”). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under G.A.S.B. #39 for which organizations is to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

Blended Component Units—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at March 31, 2007.

Discretely Presented Component Units—A discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit’s financial statements to be misleading or incomplete. There were no such units at March 31, 2007.

Jointly Governed Organization—The Township is a member of the Edwardsburg Fire Board, along with Ontwa and Jefferson Townships. Each of the Townships appoints two members and one at-large appointment who have full responsibility for management and operation of the Edwardsburg Fire Department and approval of the annual budget. Financial information may be obtained from the Village of Edwardsburg offices.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, concluded**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property Taxes--The Township's property taxes attach as an enforceable lien on December 1st, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15th of the succeeding year. The Township's 2006 ad valorem tax is levied and collectible on December 1st, 2006 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of the Township totaled approximately \$86 million, on which ad valorem taxes levied which consisted of .8272 mills for the Township's operating purposes. These amounts are recognized in the General Fund financial statements as taxes receivable—current or as tax revenue. The Township also charges a \$20/household fee for ambulance services.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Assets, Liabilities, and Net Assets or Equity, concluded**

Receivables and Payables concluded—all trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—The Township does not compensate employees for any absences (i.e. there are no vacation days or sick days). As a result, there is no liability with regards to vacation or sick days.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**D. Assets, Liabilities, and Net Assets or Equity, concluded**

Fund Equity--Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental major funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing April 1st and public hearings are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund, function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by April 1st. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There were no amendments during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
No current year expenditures exceeded the approved budget amounts.			

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

At March 31, 2007, the Township's deposits and investments were reported in the financial statements in the following categories:

Bank Deposits:

All cash of the Township is on deposit with financial institutions which provide FDIC insurance coverage.

	Governmental Activities	Total Primary Government	Fiduciary Funds
Cash and Cash Equivalents	\$ 528,627	\$ 528,627	\$ 30,926
Investments (C/D's > 90 days)	480,641	480,641	-
Total	<u>\$ 1,009,268</u>	<u>\$ 1,009,268</u>	<u>\$ 30,926</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank Deposits (checking and savings accounts)	\$ 528,429	\$ 30,926
Certificates of Deposit > 90 days	480,641	-
Petty Cash and Cash on Hand	198	-
	<u>\$ 1,009,268</u>	<u>\$ 30,926</u>

Custodial Credit Risk-Deposits:

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, \$572,772 of the Township's bank balance of \$1,011,710 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Investments:

Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC of FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds.

The Township has put further restrictions on those investments through its current policy, and the following investments are permitted by law and policy.

	Fair Value	Current Value	Investment Maturities		
			1-5 years	6-10 years	More than 10
Certificate of Deposits	<u>\$ 480,641</u>	<u>\$ 480,641</u>	<u>\$ 480,641</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**Interest Rate Risk:**

In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. This is accomplished by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit Risk:

State law limits investments in commercial paper and corporate bonds to prime or better ratings issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2007, the Township had no such investments.

Concentration of Credit Risk:

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security issuer will be minimized. As of March 31, 2007, the Township had no such investments.

Custodial Credit Risk-Investments:

For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities allowed by law, and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of March 31, 2007, the Township had no such investments.

Foreign Currency Risk:

The Township is not authorized to invest in investments which have this type of risk.

NOTE 4. DEFERRED REVENUE

The Township entered into a 99-year lease with the Cass County Road Commission (the "Commission") for \$1 a year. The Commission utilized Township property to build a garage for road machinery and equipment. The full amount was received by the Township and will be deferred until earned. They also have a 5-year lease with Tri-County Head Start ("Head Start") beginning September 1, 2003, with a renewal option, to allow a portable classroom on Township property. The total rental income for March 31, 2007 was \$2. The amount of deferred revenue for each lease is as follows:

Cass County	\$93
Tri-County Head Start	<u>1</u>
Deferred Revenue	<u>\$94</u>

NOTE 5. RECEIVABLES AND PAYABLES

Receivables as of year-end for the Township's individual major and non-major funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General <u>Fund</u>	Non-Major <u>Funds</u>	<u>Total</u>
Taxes Receivable	\$ 7,228	\$ -	\$ 7,228
Accounts	1,879	-	1,879
Less: Allowance for Uncollectible	-	-	-
Net Receivables	<u>\$ 9,107</u>	<u>\$ -</u>	<u>\$ 9,107</u>

Payables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds, in the aggregate, are as follows:

	General <u>Fund</u>	Non-Major <u>Funds</u>	<u>Total</u>
Payables:			
No trade payables for the current fiscal year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Capital assets being depreciated				
Building and building improvements	<u>\$ 89,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,481</u>
Equipment	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Subtotal	<u>\$ 94,481</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,481</u>
Less: Accumulated Depreciation	<u>(24,422)</u>	<u>(1,612)</u>	<u>-</u>	<u>(26,034)</u>
Net Capital Assets Being Depreciated	<u>\$ 70,059</u>	<u>\$ (1,612)</u>	<u>\$ -</u>	<u>\$ 68,447</u>
Governmental activities total				
capital assets-net of depreciation	<u><u>\$ 95,059</u></u>	<u><u>\$ (1,612)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 93,447</u></u>

Depreciation expense was not charged to programs of the primary government. The Township considers its assets to impact multiple activities and allocations are not practical.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter fund balances represents tax monies collected and to be paid to the general fund as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Fiduciary Fund	General Fund	\$ 9,297
Total		<u><u>\$ 9,297</u></u>

There were no current year transfers between funds.

NOTE 8. DESIGNATED NET ASSETS

The Township had no designated net assets.

NOTE 9. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10. OPERATING LEASES

The Township did not have any operating or capital leases during the year

NOTE 11. SCHEDULE OF REVENUES AND EXPENDITURES FOR CONSTRUCTION ENFORCING AGENCIES

The Township charges fees for the inspection of building, electrical, plumbing, and mechanical permits. These fees charged are not intended to recover the full cost of the enforcing agency and the related revenues and costs are tracked within the general fund. Pursuant to public Act 245 of 2002, the following schedule shows the breakdown of the related revenues and expenditures.

	For the Period April 1, 2006 to March 31, 2007
Revenues	\$ 65,931
Expenditures	39,311
Revenues over expenditures	<u><u>\$ 26,620</u></u>

NOTE 12. EMPLOYEE RETIREMENT PLAN

The Township provides pension benefits for all of its elected officials and other employees of the Township through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township contributes 6.2% of a participant's compensation, with the employee making a mandatory after-tax matching contribution of an additional 6.2%. In addition to the mandatory contributions, employees may make additional voluntary after-tax contributions ranging from one (1) to ten (10) percent of the participant's compensation.

The Township's required contribution for the fiscal year end March 31, 2007 was \$479.

REQUIRED SUPPLEMENTAL INFORMATION

MILTON TOWNSHIP**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
March 31, 2007**

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Beginning of Year Fund Balance-April 1, 2006	\$ 967,225	\$ 967,225	\$ 967,225	
Available for Appropriation (Inflows)				
Taxes	\$ 78,350	\$ 78,350	\$ 83,931	\$ 5,581
Licenses and Permits	63,000	63,000	65,931	2,931
State	180,149	180,149	183,426	3,277
Contributions from local units	4,000	4,000	3,983	(17)
Charges for Services	23,000	23,000	16,268	(6,732)
Interest and Rents	18,764	18,764	45,572	26,808
Other Revenue	14,000	14,000	30,033	16,033
Transfer In	-	-	-	-
Amounts Available for Appropriation	<u>\$ 381,263</u>	<u>\$ 381,263</u>	<u>\$ 429,144</u>	
Charges to Appropriations(Outflows)				
<i>General Government</i>				
Legislative	\$ 83,350	\$ 83,350	\$ 75,342	\$ 8,008
Chief Executive	14,068	14,068	10,325	3,743
Treasurer	23,472	23,472	19,622	3,850
Assessing Equalization	15,756	15,756	14,583	1,173
Clerk	14,924	14,924	13,188	1,736
Elections	8,824	8,824	5,623	3,201
Building and Grounds	36,332	36,332	26,080	10,252
All other general government	44,947	44,947	-	44,947
<i>Public Safety</i>				
Fire	91,435	91,435	91,435	-
Building inspection & regulation activities	61,550	61,550	39,311	22,239
All other public safety activities	23,000	23,000	22,720	280
<i>Public Works</i>				
Road Commission/Street Dept.	40,000	40,000	17,641	22,359
<i>Community & Economic Development</i>				
Community planning and zoning	18,905	18,905	14,829	4,076
<i>Other</i>				
Fringes, benefits, FICA, insurance, etc...	22,756	22,756	18,092	4,664
Capital Outlay	-	-	-	-
Total Charges to Appropriations	<u>\$ 499,319</u>	<u>\$ 499,319</u>	<u>\$ 368,791</u>	
End of Year Fund Balance-March 31, 2007	<u><u>\$ 849,169</u></u>	<u><u>\$ 849,169</u></u>	<u><u>\$ 1,027,578</u></u>	



August 24, 2007

Milton Township Board
Niles, MI

In planning and performing our audit of the financial statements of **Milton Township (the "Township")** as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting(internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Segregation of Duties

The Township lacks segregation of duties in the area of cash collections. The same individual makes deposits, has access to blank checks, is authorized to sign checks, has the ability to post journal entries, and is involved in the preparation of the bank reconciliations. Implementing a process to independently review monthly bank statements and related reconciliations would add an additional level of control in this area.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Lack of Client Expertise in Financial Accounting and Reporting

The Township does not have the personnel or procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

Other Matters

We offer the following recommendations, which we do not believe to be significant deficiencies:

Delinquent Distribution of Tax Collection (MCL 211.43)

During our review of tax collections and disbursements, we noted the Treasurer was delinquent, per statute, in distributing tax revenues collected for another taxing unit. The Township has a fiduciary responsibility to those units to make timely remittances of the monies collected on their behalf and should look to establish procedures that enable the tax revenues collected be paid to the taxing units with the established guidelines.

In addition, interest earned in the tax collection fund belongs proportionately to the units to which the tax collections are distributed, and the Treasurer should calculate and distribute the interest to the respective taxing units as well. See 1988 Attorney General Opinion 6489.

Evaluating and Safeguarding Township Expenditures

Fiduciary responsibilities are critical for every Township Board member, and in fact, are among an elected official's most important duties. Both individually and collectively, board members have responsibility for the Township's finances and for protecting the Township's assets.

To safeguard against improprieties and, even more simply, to ensure that the Township is operating lawfully and properly, every Township Board must have strong accounting and financial reporting system in place. All expenditures must serve a valid public purpose and be authorized—either expressly or fairly implied—by law.

During our audit testing, we noted some expenditure that may be illegal (i.e. purchase of meals for Board of Review meetings, reimbursement of meal costs on trash day, etc...). We recommend that the Township Board review the *Bulletin for Audits of Local Units of Government in Michigan, as revised Appendix H*, this will help determine if the expenditure is authorized by statute or that the Township is actually receiving value from the expenditure.

Township Documents Should Be Mailed and Kept at Township Offices

During our cash testing procedures, we noted some bank statements and certificate of deposit mailings were being mailed directly to the homes of the Township official. We recommend that all Township assets, including mail, be sent directly to the Township offices where they can be properly filed and stored.

The communication is intended solely for the information and use of management, the Township's board of trustees, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Schaffer & Layher". The ink is dark and the signature is fluid.

Schaffer & Layher
St. Joseph, MI